To: Governor Thomas J. Vilsack

From: Energy Coordinating Council

Date: March 24, 2005

Subject: **Status of Recommendations from the 2001 Energy Policy Task Force Report to the Governor**

In December 2003 the Energy Coordinating Council sent you a status report on the Recommendations for New Energy Policy for Iowa issued by the Governor's Energy Policy Task Force in October 2001. As you know, the Energy Coordinating Council is meeting quarterly at your direction. This memo represents the 2004 update of the Task Force Recommendations. Following is a list of the Task Force recommendations from 2001, the 2003 status report (in black), and an update of action that has occurred in the past year (in blue). In some instances, there has been no change since the 2003 Status Report. The Department of Administrative Services, the Department of Human Rights-Division of Community Action Agencies, Department of Natural Resources, the Iowa Energy Center, the Consumer Advocate, and the Iowa Utilities Board contributed to this report.

One 2004 activity did not fit into any of the recommendation categories below and is discussed here. An important accomplishment of the Department of Administrative Services this year was initiated by discussion at a Coordinating Council meeting. After much research and planning by DAS, it has recently taken steps to aggregate the purchase of natural gas for state-owned facilities managed by the Department. An agreement with Cornerstone Energy, Inc., a certified natural gas provider, will consolidate the purchase and delivery of natural gas to the Capitol Complex, the Ankeny Labs Facility, Terrace Hill and seven other natural gas meters. By purchasing natural gas as part of a larger pool of natural gas users, the Department intends to save money during a time of high natural gas prices. Cornerstone Energy will assist the State in managing the risks associated with purchasing natural gas in the unregulated market and in taking advantage of a new pilot tariff program that enables government entities to purchase unregulated natural gas for facilities with small volume meters.

2001 Task Force Recommendations:

- **Significantly enhance energy efficiency in all areas of energy production and use.**
  - **Supplement the recent study conducted by the investor-owned utilities on the assessment of energy efficiency potential, with information from the municipal utilities and rural electric cooperatives.**

2003 Status: The study of energy efficiency potential was conducted as part of the Iowa Utilities Board's (the Board) statutory responsibility to determine energy efficiency goals for the investor-owned utilities (IOUs). The Board does not have this authority with regard to the rural electric cooperatives and the municipal utilities (consumer-owned utilities). These utilities file energy efficiency plans with the Board on an informational basis, but the plans usually do not contain the information needed to supplement the study of energy efficiency potential performed by the IOUs. This recommendation cannot be acted on without statutory change.

- **Measure the success of efficiency programs of the 1990s.**
  2003 Status: From 1990 through 2000, all Iowa utilities saved more than one thousand megawatts (MW) of peak electric demand, one million MW hours of annual electricity use, and more than four million Mcf (thousand cubic feet) of natural gas. The energy efficiency programs of IOUs typically save two dollars in utility avoided costs for every dollar invested in programs. Governing Magazine (May 2003) reports that Iowa is ranked 13th nationally in per-capita spending on electric energy efficiency, not including the impacts of load management and natural gas programs.
- **Evaluate the effectiveness of low-income weatherization programs.**
  2003 Status: This evaluation is done each year by the Department of Human Rights in cooperation with the IOUs. In addition, at the direction of the Board, the IOUs increased their energy efficiency budgets to provide more supplemental funding for low-income weatherization.
  2004 Update: The IOUs are engaged with the Iowa Finance Authority in a pilot project to improve multi-family low-income residences.
- **Reveal areas where future additional efficiencies could be gained and at what cost.**
  2003 Status: New energy efficiency plans by the investor-owned utilities are estimated to cost about $600 million over the next five years. The plans project total savings of more than $1.6 billion over the lifetime of the energy efficiency equipment. Thus, net savings are expected to be about $1 billion with the benefit/cost ratio about 2.6. Programs implemented by IOUs from 1990 through 1998 were estimated to produce net savings of about $500 million.
- **Identify areas where energy conservation could help reduce demand and determine methods to promote conservation.**
  2003 Status: Investor-owned utilities are developing new programs which motivate entire communities to increase efficiency (Interstate Power), help Habitat for Humanity to provide new high efficiency housing (Aquila), and help large customers design and build high-efficiency commercial and industrial facilities (MidAmerican Energy).
- **Evaluate delivery mechanisms of current programs and provide alternatives for future programs.**

2003 Status: The IOUs are continually evaluating mechanisms program delivery and making significant changes in their new plans. 2004 Update: Both Interstate Power and MidAmerican are actively expanding programs for their agricultural customers.

- **Identify sources of funding for future programs.**
  2003 Status: The IOUs fund energy efficiency programs through charges paid by their customers; this is not expected to change. 2004 Update: During the 2004 Session a group of large industrial customers requested legislation that would exempt them from energy efficiency charges and programs. This measure failed to pass. Although it was reintroduced in the 2005 Session, it is not expected to pass. At least one representative has committed to looking at the exemption during the interim.

➢ **Establish a uniform energy efficiency program for all customers to replace the programs mandated only for customers of investor-owned utilities.**

- **Should be implemented by an independent contractor or a State agency.**
- **Should provide consumer incentives for implementing improvements and conservation measures.**
- **Should include a state-supported loan program.**
- **Should ensure program meets predetermined goals through oversight and accountability.**

2003 Status: This recommendation would require legislative change. In some cases, funds collected for energy efficiency in other states have been reallocated to fill general fund shortfalls. Energy efficiency funds have been raided in states such as Wisconsin, which was in the process of transferring energy efficiency from utilities to a state-level program. Many utilities now see energy efficiency as good customer service and excellent community relations, and may be willing to defend energy efficiency funding from rescission or reappropriation.
2004 Update: On October 27, 2004, Efficiency Vermont, the independent administrator of statewide energy efficiency programs in Vermont, provided Energy Coordinating Council representatives with information about the Vermont model for administering energy efficiency programs. In recognizing Vermont's Energy Efficiency Utility model as a recipient of its 2003 Innovations in American Government Award, Harvard University's Kennedy School of Government commended this innovative approach as one to be considered for replication elsewhere. The Energy Coordinating Council is continuing to evaluate the Efficiency Vermont model as a means for implementing the Task Force's recommendations.

➢ **Modify current residential programs to concentrate on homes with the greatest potential for cost-effectiveness.**
2003 Status: Investor-owned utilities are required to seek opportunities to maintain the cost-effectiveness of plans. However, the Board must ensure that utilities plan programs for all customers, and thus cannot order utilities

to exclude customers on the basis of potential. (Iowa Code § 476.6(17)). Even homes with low total potential could save some energy with new technologies, which might add up to big savings if many customers participated.

- **Replace the current state-mandated energy efficiency surcharge that applies only to investor-owned utility customers with a statewide surcharge that applies to all electric, natural gas, and propane customers.**
  2003 Status: This would require legislative action.
  2004 Update: The Energy Coordinating Council is evaluating the Efficiency Vermont model, which utilizes a statewide surcharge that applies to all electric and natural gas customers.
- **Initiate an energy conservation program that would work to change energy use habits.**
  2003 Status: Utilities are researching, and in some cases funding, educational efforts for low-income customers to help maintain the savings from low-income weatherization.
  2004 Update: Again, this is part of the evaluation of the Efficiency Vermont model.
- **Modify vehicle tax policy to encourage increased use of high efficiency vehicles.**
  2003 Status: This would require a legislative change.
- **Require the State to lead by example.**
  - **State-owned vehicles should have the highest fuel efficiency available.**
    2003 Status: Iowa Code § 18.115(4) requires that the state fleet administrator and any other state or local political subdivisions purchase new passenger vehicles and light trucks so that the average fuel efficiency equals or exceeds the average fuel economy standard for their model year as established by the U.S. Secretary of Transportation.
    2004 Update: The statute remains in effect but has been re-numbered (Iowa Code § 8A.362(4)) with the establishment of the Department of Administrative Services.
  - **Cities, counties, and school districts should own and operate fuel-efficient vehicles.**
    2003 Status: See above.
  - **Promote increased use of communications technology and other means to reduce the need for intrastate travel to accomplish State business.**
    2003 Status: The ICN is used by some state agencies for meetings.
- **Perform energy audits and reduce energy consumption in state-owned/occupied buildings by an average of ten percent by 2008.**
  2003 Status: The Department of Natural Resources (DNR) and the Department of Administrative Services (DAS) are working collaboratively

to develop a strategy on this initiative. The DNR has developed a baseline of energy consumption information based on 1998 information.
2004 Update:
-- The DNR has compiled data through fiscal year 2003 and has calculated energy utilization indices (EUI) for each state agency. Based on these EUIs, the DNR has determined that the greatest potential for energy efficiency investment is within the Departments of Corrections and Human Services, as well as the Board of Regents. DNR staff has drafted an Executive Order, which will be reviewed and sent to the Governor's Office by the Coordinating Council.
-- The Energy Coordinating Council, led by the Office of Consumer Advocate, is facilitating energy performance contracting stakeholders meetings to discuss the need for and components of performance contracting legislation, which may provide an additional tool to meet the reduced energy consumption goals for state-owned/occupied buildings.

- **Reduce the overall end-use of energy by ten percent by 2010 through energy efficiency and conservation, with reevaluation in 2010 or sooner for the next decade's target. Specifically for electricity, reduce peak demand by 1,000 MW through efficiency and conservation.**
  2003 Status: The new energy efficiency plans by the IOUs estimate that by the end of 2008 electric peak demand savings will reach more than 700 MW. If these efforts continue through 2010 and the consumer-owned utilities continue their efforts, the goal of saving 1,000 MW is attainable.

- Diversify the supply of energy sources to include **renewable energy.**
  - **Recommends a legislated goal of having 1000 MW of renewable energy by 2010.**
    2004 Update: Iowa is well on its way toward realizing this goal, even though it has not been mandated legislatively. Iowa currently has 631 MW of renewable generation (80 MW of which is wind generation used to meet Wisconsin renewable requirements, and 125 MW of which is a Mississippi River hydropower facility owned by a non-Iowa utility), with an additional 360 MW under construction by MidAmerican Energy, and another 412 MW scheduled for 2005-2006 estimated by the DNR. This adds up to a projected total of 1,403 MW of renewable energy by 2007. If realized, the Task Force goal would be met three years ahead of schedule.
    Specifically:
    -- Iowa has over 474 MW of wind generation capacity (including 80 MW used to meet Wisconsin renewable requirements), 149 MW of which has been added since 2001.
    -- Iowa also has 137 MW of hydropower (including 125 MW owned by a non-Iowa utility) and 20 MW of various forms of biomass generation.

-- MidAmerican Energy is scheduled to build an additional 360 MW of wind generation in 2005-2006 under advanced ratemaking principles recently approved by the Board.

-- DNR estimates another two wind farms, with a combined total of 412 MW, are in the planning stages.

- **Monitor progress with the Energy Coordinating Council or a bipartisan council of legislators.**

  2004 Update: This is the second status report on the recommendations issued by the Governor's Energy Policy Task Force in October 2001.

- **Establish tax incentives to promote new renewable electric generation.**

  2003 Status: The current federal production tax credit (PTC) is scheduled to expire at the end of 2003. Its extension is expected, but Congress may not formally take action to effect this until 2004. The last PTC extension occurred after the previous expiration date, and it was extended retroactively to fill the expiration gap. It should be noted that the current federal PTC is reduced or offset in proportion to the availability of other explicit state tax credits and incentives. According to a 2002 report by Lawrence Berkeley National Laboratory, the application of this offset is not yet clear; but state investment tax credits seem most likely to reduce the PTC. The offsetting effect of state PTCs and state sales and property tax incentives on the federal PTC is less clear and should be monitored in light of initiatives before the General Assembly. (The Wind Energy Tax Credit Bill, SF 449, was introduced during the 2003 Session and may return in 2004. This bill proposes a one cent per kWh state tax credit.)

  2004 Update:

  -- The federal PTC was renewed in late 2004, and extended through the end of 2005. This extension was made retroactive, to fill the gap after the previous expiration in 2004.

  -- The State Wind Energy Tax Credit Bill, SF 449, was passed in 2004, that applies to facilities that produce wind generation, are located in Iowa, and were originally placed in service on or after July 1, 2004, but before July 1, 2007. The tax credit was intended to be one cent per kilowatt hour of qualified electricity produced during the first ten years the facility is in operation. However, an error in the drafting of the bill makes the tax credit so small that it is not viable.

  -- An Alternate Energy Tax Credit Bill, SF 371, passed Senate Natural Resources and Senate Ways and Means in March 2005. It gives a 1.5-cent tax credit to either the producer or buyer of alternate energy. Alternate energy includes wind turbines, bio-digesters, and biomass fueled generators. The 2004 wind tax credit (SF 449 above) is repealed in this bill.

- **Provide financial incentives for new renewable generation including an incentive paid for each new kWh and encouraging rural energy cooperatives to produce renewables.**

2003 Status:

-- The Iowa Energy Center continues to operate the Alternate Energy Revolving Loan Program, which was created by the General Assembly in 1996. This program provides reduced interest rate financing for renewable energy projects in Iowa.

-- The IUB adopted rules in accordance with Iowa statute requiring all utilities, including rural energy cooperatives, to offer programs by January 1, 2004, that allow customers to voluntarily contribute to the development of renewable energy in Iowa.

2004 Update: The fiscal year 2005 Omnibus Appropriations Bill includes full funding of $23 million for Section 9006 of the Federal Farm Bill. Section 9006 provides grants and loans for renewable energy and energy efficiency projects in rural communities. In 2003, Section 9006 grants leveraged over $100 million in total investments. State agencies are working to ensure that Iowans are informed and prepared to take advantage of these federal grants and loans.

- **Create a renewable energy fund through tax revenues received from new fossil fuel generating facilities.**

  2003 Status: This would require legislative action.

- **Encourage hydropower.**

  2003 Status: Iowa currently has 137 MW of hydropower (125 MW of which is a Mississippi River hydropower facility owned by a non-Iowa utility).

- **Promote environmentally acceptable use of municipal solid waste, sewage sludge, and livestock waste for energy sources.**

  2004 Update:

  -- The DNR developed and presented a one-day workshop to educate and inform Iowa pork producers on the issues and benefits of methane recovery from hog waste. The workshop was held at two locations – Western Iowa Tech Community College in Sioux City on November 3 and Kirkwood Community College in Cedar Rapids on November 4. Topics covered included methane-to-energy fundamentals and technologies, economic and environmental benefits, financial incentives, and funding and technical assistance. Funding for the workshop was from a U.S. Department of Energy Midwest Regional Office grant. Workshop sponsors included the Iowa Agriculture Innovation Center, the Iowa Energy Center, the Iowa Pork Producers Association, the Iowa Farm Bureau Federation, Alliant Energy, and Iowa State University Extension.

  -- The DNR organized a working group and hosted a meeting to discuss the feasibility of community-based methane digesters. Participants included staff from the DNR Energy and Waste Management Bureau, DNR Animal Feeding Operations, Department of Economic Development, USDA NRCS, Iowa Farm Bureau Federation, Iowa Manure Management Action Group, Wallace Farm Foundation, and the Southwest Iowa Energy Planning Group (sponsored by the Audubon County Economic

Development Corporation). Projects discussed included large-scale digesters for Audubon County and the Wallace Foundation Energy Farm.
-- The DNR is assisting MaxYield Cooperative with their efforts to study and potentially implement a community-based digester, servicing 80,000 to 100,000 feeder pigs, located within a four- to six-mile radius of Whittemore.

- **Establish a standard system for net metering and renewable system utility interconnection.**

  2004 Update:
  -- The DNR Energy and Waste Management Bureau and its contractor, Resource Dynamics Corporation, developed a comprehensive assessment report of current interconnection procedures, including existing barriers and potential solutions. Several interested stakeholders, including the utilities and utility associations, the Office of Consumer Advocate, and the IUB, participated in the review of this document. Using this report as a tool, DNR staff developed a handbook about basic issues of interconnection. This handbook includes information about power purchase agreements, required safety practices and equipment, and legal requirements of and responsibilities in interconnection agreements. Again, the above-mentioned stakeholders participated in the review of this document.
  -- In July of 2004, the DNR Energy and Waste Management Bureau co-hosted a daylong workshop with the Iowa Association of Municipal Utilities about interconnection and how it affects municipal utilities. It was directed toward municipal utility managers and engineers and attracted 45 attendees. Among the speakers were: Tom Wind, of Wind Consulting; Dick DeBlasio, Technology Manager for the National Renewable Energy Lab and lead for IEEE's work on interconnection standards; Kelly Frazier, legal counsel for IAMU; and Kelley Myers, DNR interconnection project manager and Iowa-licensed attorney.
  -- In July 2004, the Supreme Court of Iowa ruled on the *Windway Technologies v. Midland Power Cooperative* case, concluding that net metering and net billing have the same meaning, although the utility argued they were different. These power purchase arrangements allow the power producer to use whatever energy it generates and sell any additional energy back to the utility at an avoided cost rate. The Court also ruled that independent billing, which is when the power producer sells all energy back to the utility at an avoided cost rate and then purchases the amount it needs at a retail rate, is not the appropriate purchasing arrangement when the parties do not specifically contract for it. As of December 2004, the Court has agreed to re-hear the case.
  -- In 2004, the Federal Energy Regulatory Commission (FERC) issued an advanced notice of proposed rulemaking soliciting comments for "small" generation interconnection requirements. In the previous year, FERC had finalized rules to standardize generator interconnection agreements and procedures applicable to interconnections for large generators greater

than 20 MW. "Small" generation is not well defined and has the potential to affect many different types and kinds of power producers; FERC accepted comments until February 2005 on the proposed rules.

- **Work with local, regional, and national authorities to establish a fair and uniform cost for transmission of renewable electricity.**
  2003 Status: See "Transmission System" recommendations below.
- **Modify vehicle tax policy to encourage use of renewable fuels in vehicles.**
  2003 Status: This would require legislative action.
- **Encourage the use of bio-diesel and ethanol in State and local vehicles and the purchase of electricity from renewable sources.**
  2003 Status:
  -- The Iowa Energy Center's Biomass Research Facility in Nevada has been named the National Bio-diesel Training Facility under a grant from the U.S. Department of Energy.
  -- Four local governments and school districts have built over 2 MW of wind generation since 2001. Two of these (Wall Lake and Lenox municipal utilities) were built with the assistance of Community Development Block Grant funds from IDED. The City of Lenox now gets seventy percent of its electricity from renewable sources – ten percent from the wind turbine and sixty percent from hydropower through WAPA. IDED also just awarded funds to the Stuart municipal utility for construction of a wind turbine.
  -- The University of Iowa is now generating electricity in their on-site plant by burning oat hulls from Quaker Oats that previously were being hauled to landfills. The oat hulls are replacing 25 percent of the coal used at the facility.
  -- More than 70 Iowa municipal utilities are studying the feasibility of constructing a stored wind energy plant.
  2004 Update:
  -- Up to 35 Iowa municipal utilities are preparing to use a blend of two to five percent soy diesel as fuel for their small electric peaking unit generators. The DNR assisted the Iowa Association of Municipal Utilities in coordination of testing of biodiesel in diesel generators and a workshop that educated municipal utility representatives on biodiesel electricity-generating options.
  -- The DNR, in partnership with various commodity groups, nonprofit and private organizations, and governmental entities, is implementing a Clean Cities program for the state. Application is underway with the U.S. Department of Energy to designate the state as a Clean Cities Coalition. Goals of Clean Cities include increasing the use of fuel blends, such as biodiesel and ethanol; accelerating the sales of hybrid-electric vehicles; promoting informed consumer choice on fuel economy; and encouraging the use of idle reduction technologies for heavy-duty trucks and other vehicles. A steering committee has been formed for the Iowa Clean Cities Coalition with a representative from

the Center for Transportation Research and Education (CTRE) at Iowa State University serving as chair. Six subcommittees have been developed to focus on fleets, fuels, funding, outreach and education, legislation and policies, and stakeholder development. Organizations committed to the Clean Cities program include CTRE, American Lung Association of Illinois-Iowa, Iowa Association of School Boards, Iowa Pupil Transportation Association, Iowa Corn Promotion Board, Iowa Renewable Fuels Association, Iowa Farm Bureau Federation, Iowa Soybean Promotion Board, National Ethanol Vehicle Coalition, and the Iowa Departments of Administrative Services, Agriculture and Land Stewardship, and Transportation.

-- In an effort to continue collaborative conversations with stakeholders, DNR staff has met with various entities:
+ MidAmerican Energy to identify strategies for advancing the use of electric vehicles in the state.
+ Iowa Department of Revenue to discuss current laws and tax incentives regarding alternative fuels.
+ Iowa E85 Team to determine effective marketing activities to increase the use of E85 in the state. The DNR continues to maintain the E85 site locations on its website and information regarding types of E85 vehicles available for purchase.

-- The DNR was involved in various activities to promote alternative fuels, including:
+ Co-sponsoring an E85 event by presenting and demonstrating the ISU ethanol-powered Formula racecar. Partners included the Iowa Department of Agriculture and Land Stewardship, Iowa Agriculture Innovation Center, Cyclone Racing, National Ethanol Vehicle Coalition, Iowa Renewable Fuels Association, and the American Lung Association Illinois-Iowa Chapter.
+ Staffing a booth at the Iowa Renewable Energy Fair. An E85 vehicle (fueled by 85 percent ethanol and 15 percent gasoline) was on display, and the DNR also gave presentations on both natural gas and renewables.

- **Support research and development of new renewable energy technologies.**

2003 Status:

-- The Iowa Energy Center has created a facility, BECON, in Nevada, Iowa, to conduct research in creating fuels, chemicals, and materials from biomass. The facility supports a range of research projects by university faculty and their private sector partners that explore alternative technologies for converting biomass into valuable products such as biodiesel fuel, widely used industrial chemicals, or plastics.

-- The Chariton Valley Biomass Project (a joint effort by Alliant Energy, Chariton Valley Resource Conservation and Development, and the U.S. Department of Energy) is testing the feasibility of co-firing switchgrass with conventional coal-based generation at the Ottumwa

Generating Station. Alliant reports that a test burn of 1,500 tons of switchgrass is being conducted during the first two weeks of December 2003, with a longer-term test burn of 25,000 tons planned for 2004-2005. The test is designed to be proportionally equivalent to converting 35 MW of Ottumwa's capacity to biomass-based generation.

2004 Update: The DNR developed and presented a one-day workshop to address the feasibility, applicability, and energy-savings potential of combined heat and power (CHP) technologies in Iowa's ethanol production facilities. The workshop was held on April 1, 2004, at the offices of the Iowa Farm Bureau Federation in West Des Moines. Topics covered included CHP fundamentals and technologies, CHP applications in the ethanol industry, economic and environmental benefits, financial incentives, and funding and technical assistance. Funding for the workshop was from a U.S. Department of Energy Midwest Regional Office grant. Workshop sponsors included the Iowa Renewable Fuels Association, Iowa Agriculture Innovation Center, Midwest CHP Application Center, and U.S. Environmental Protection Agency CHP Partnership. Approximately 60 people attended the workshop. Attendees included ethanol production facility owners and operators (corn processors), ethanol plant designers, electric service providers, CHP equipment manufacturers, Iowa government and nonprofit agencies, and federal energy and environmental agencies.

- **Build modern, high efficiency electric generating plants that minimize environmental impacts.**
  - **Guarantee a rate of return to investors of electrical generating plants built within the regulated system for the life of the plant.**

    2003 Status: In 2001 the Electric Generation Bill, HF 577, became law. The Board was authorized to specify in advance, after a contested case proceeding, the ratemaking principles that would apply when the costs of a new electric generating facility are included in rates. The ratemaking principles could include a rate of return that would apply as long as the plant is regulated. Plants that have received this approved ratemaking treatment to date are:

    -- MidAmerican Energy's 540 MW natural gas-fueled generation plant in Pleasant Hill
    -- Interstate Power and Light's 568 MW natural gas-fueled generation plant near Mason City
    -- MidAmerican Energy's 900 MW coal-fueled generation plant in Council Bluffs
    -- MidAmerican Energy's 310 MW wind energy facility in northwest Iowa

    2004 Update: Construction on both of the natural gas generating facilities was completed in 2004. Additionally, construction continued on the coal-fueled plant in Council Bluffs. With the renewal of the federal Production

Tax Credit, construction commenced immediately on the MidAmerican Energy 310 MW wind park, with half the park's capacity expected to be completed by the end of 2004. Additionally, the IUB approved, on January 31, 2005, MidAmerican Energy's application for advance ratemaking principles on a 30 - 90 MW expansion of its previously approved 310 MW wind energy facility in northwest Iowa (Docket No. RPU-04-3).

- **Require the use of high efficiency, state-of-the-art clean coal technology in new plants constructed within the regulatory system.**
  - **Make the State an equity investor to cover the incremental costs of using clean coal technology versus current systems.**
    2003 Status: This would require legislative action.
  - **Make the State an equity investor to help plants use some biomass or municipal wastes as fuel.**
    2003 Status: This would require legislative action.
- **Encourage the State to own or have significant equity investment in a base load generating plant for the purpose of reliability, cost containment, and revenue generation.**
  2003 Status: This would require legislative action.
- **Participate in the experimentation and research of distributed generation.**
  2003 Status:
  -- The Iowa Energy Center is in the process of planning a photovoltaic demonstration at its offices in Ames and at its biomass facility in Nevada. Also, Alliant Energy has donated a microturbine to the Energy Center that will be installed at the Nevada biomass facility in a combined heat and power application. Any information from these demonstrations will be publicly available.
  -- A 10kW wind turbine has been installed at the State Fairgrounds for generation and as an educational tool for the public.

- **Make major improvements to Iowa's electric transmission system.**
  - **Establish a regional task force appointed by state governors to coordinate and communicate needs and concerns to federal regulators and policy makers. Activities would include:**
    - **Transmission planning and assurance of standards across the region.**
    - **Independence from the utilities that currently own the lines.**
    - **Investigate the concepts of a hybrid RTO/ISO and ITC operated in a business-like manner with input for progressive public policy.**
    - **Involve states in region, all utilities owning transmission lines, and regulatory agencies in planning and implementation.**

    2003 Status:
    -- Iowa has taken a leadership role in forming a regional oversight group comprised of fifteen states and Manitoba to work with the Midwest Independent System Operator (MISO), a regional and independent transmission system operator, and the FERC. The Organization of

MISO States (OMS), a non-profit organization, organized in June and recently hired an executive director. An independent funding source has been secured. The regional organization and its seven working groups are addressing transmission issues, such as regional transmission planning, transmission pricing, market structure, and market monitoring. The executive director and offices for the OMS will be located in Des Moines beginning in January 2004.

-- In February 2002 Governor Vilsack asked the Midwest Governors Conference to establish a regional electricity transmission task force to coordinate the needs of Midwest states on the interstate transmission of electricity and to communicate the findings to federal policy makers. Members to the task force were named and the first meeting was held on March 21, 2003. Diane Munns, the IUB chair, is co-chair of this group.

-- The National Governors Association formed a Task Force on Electricity Infrastructure to develop strategies for regional approaches to transmission siting. The group issued a strategy paper in December 2002.

2004 Update:

--Of the IUB's two rate-jurisdictional utilities, MidAmerican Energy and Interstate Power and Light Company (IPL), IPL is a member of a FERC approved regional transmission organization (RTO). IPL makes its own plans for grid expansion, but submits the plans for evaluation on coordination of planning and reliability across the region. Though not an RTO member, MidAmerican Energy submits its plans for regional coordination to the Mid-Continent Area Power Pool for regional coordination.

-- The IUB, working with other Organization of MISO States (OMS) state commission partners, was instrumental in arranging for a region-wide study of individual state transmission siting statutes and rules. With the study completed, initiatives can focus on streamlining processes for multi-state power lines.

-- The IUB is deeply involved in work regarding pricing of new transmission facilities. Sub-optimal pricing structures for new transmission projects are a major impediment to the construction of such facilities. The IUB has been active with the OMS and MISO in helping to solve this issue.

-- Transmission investment associated with new generation facilities in Iowa should serve to improve Iowa's transmission system. In addition, the North American Electric Reliability Council's (NERC) Alliant West TLR Task Force (AWTTF) is evaluating appropriate steps to respond to increased transmission congestion in the Alliant West area, which includes Iowa. The AWTTF Report is currently accessible at the following wesite: http://www.nerc.com/~mc/awttf.html.

-- Governor Vilsack is convening a Midwest Regional Transmission Summit on July 18, 2005, as part of the National Governor's Association

Meeting here in Des Moines. The purpose of the meeting is to promote regional coordination and cooperation for transmission infrastructure investment and to support coordinated, streamlined processes for interstate transmission siting.

- **Review and streamline eminent domain procedures for line construction.**
  2003 Status: As part of the Governor's rules review process, rules as they affect eminent domain were examined. No rule changes were indicated.
- **Develop public education initiatives through both the executive and legislative branches regarding the state's energy challenges (i.e., NIMBY).**
  2003 Status: The Iowa Energy Center, the Department of Natural Resources, and the Utilities Board all have educational components directed at educating stakeholders about energy challenges facing the state.
- **Plan for transmission needs to accommodate future addition of renewable generation. Review need for state incentives for building new transmission.**
  2003 Status: Needed improvements and additions to transmission may be necessary in those areas where renewable generation is being built. MISO, in the process of writing its expansion plan, began looking at a 345kV loop in southern MN and northern IA for the purpose of wind power deliverability. The mechanism for funding new transmission is also being discussed. Future renewable generation includes: 1) The Board recently granted a waiver request made by Florida Power and Light to build 148 wind turbines in Hancock County and 2) Advanced ratemaking principles were approved for construction of 170 to 207 wind turbines by MidAmerican Energy on two sites.
- **Support enhanced cost recovery via an accelerated depreciation on investments in transmission facilities.**
  2003 Status: FERC is looking at incentives for transmission construction and upgrades.
- **Stimulate open and non-discriminatory transmission access and eliminate non-cost-based pancaking of rates by working with the RTO/ISO, in coordination with the recommended regional task force.**
  2003 Status: MISO proposed tariffs are currently under review with the final results yet to be determined. The OMS and MISO are working on achieving an open, non-discriminatory market for electricity.
  2004 Update: Rate pancaking is currently cost-based; however, it is still an impediment. The FERC has open dockets to deal with this issue. The IUB is participating in those dockets and other activities related to transmission pricing.
- **Emphasize preservation of the environment in the planning, construction, inspection, and site remediation of gas lines.**
  2003 Status: The Board completely revised Chapter 9 of Iowa Administrative Code 199 in March of 2001 that pertains to this issue. The

Board also developed a manual – Instructions for County Inspectors: Pipeline Construction Projects.

- **Establish an Iowa Energy Coordinating Council to: 1) act as a consortium of energy personnel and a clearinghouse of information, 2) streamline the state's energy organization to facilitate the architecture and maintenance of an effective energy policy, and 3) identify the need for new policy and assist in the implementation of that policy. The council should be led by an appointee of the Governor who would function as a CEO. Members of the council will include representatives of various state agencies with energy responsibilities and representation from the legislature.**
  2003 Status: The structure envisioned by the Task Force would have required legislation since it appears to transfer certain statutory duties to this new body, authorizes a new appointment, and possibly requires funding if the CEO is from outside of state government. For these reasons it was decided to form a coordinating council of departments with energy responsibilities that would serve as an information-sharing vehicle. The council meets quarterly with the various departments rotating responsibility to host and set an agenda for the meetings.
  2004 Update: The Coordinating Council continues to meet quarterly.

- **Create additional funding sources, stronger policies, and increased programming to provide appropriate assistance to low-income Iowans.**
  2004 Update: The IUB, DHS, and DHR/Heating Assistance have been in discussions to broaden the reach and participation of existing low-income assistance programs. As an example, participation in the LIHEAP program qualifies a customer for participation in the telephone Lifeline program. Only about 40 percent of estimated eligible households participate in LIHEAP. The number of telephone Lifeline participating households is equal to only half the number of households participating in LIHEAP. No one knows for certain if they are the same households. We do know that since Community Action Program workers began enrolling LIHEAP recipients in the Lifeline program, we have doubled the number of Lifeline participants. Conservatively, we could bring in another $4 million in assistance to low-income customers if all current LIHEAP certified customers could be enrolled in Lifeline. A 50 percent increase in the number of LIHEAP households with corresponding enrollment in Lifeline could bring in an additional $4 million in assistance to low-income and this is money that is already being paid by telephone subscribers into a universal service fund. There are other ways to qualify for Lifeline assistance, all tied to participation in some existing state or federal government assistance program. If we can find ways to cross enroll, as has been done with LIHEAP and Lifeline, we can get more help to the people who need it with less bureaucracy and less expense. At the same time, increasing the number of households certified eligible for LIHEAP expands the pool of households protected by the winter disconnection moratorium.

- **Establish a public benefit fund to reduce total energy burdens for low-income Iowans to eight percent of total household income.**
  2003 Status: A public benefit fund would require legislation. Funding mechanisms could include General Fund appropriations and/or surcharges on electric or gas bills.
  2004 Update:
  -- The Iowa Community Action Association (ICAA) may be sponsoring legislation in the coming Session to give the Utilities Board authority to approve a low-income discount rate as part of a rate case proceeding. In addition, ICAA has established a statewide fund for low-income energy assistance and will be asking the Legislature to redirect unclaimed utility refunds and deposits to this fund. At one time, this money went to the low income weatherization program, but that provision sunset in the 1990s and the refunds now stay in the General Fund. (Iowa Code § 556.4)
  -- The Board has approved a docket that requires utilities to offer customers a second payment agreement in certain circumstances before disconnection can occur.
- **Establish moratorium/disconnection protection (from November 1 through April 1) for any residential household at or below 185 percent of federal poverty guidelines (Iowa's current state standard is 150 percent).**
  2004 Update: Pursuant to Iowa Code § 216A.103, adjustments to the income threshold for LIHEAP are within the authority of the Division of Community Action Agencies. However, raising the LIHEAP threshold to the 185% maximum allowable would not significantly expand moratorium protection because not all eligible households apply and application to LIHEAP is a prerequisite for protection. In order to significantly expand protection legislation would be required that allowed certification of the household's participation in any benefit program using up to the 185% threshold. (i.e. food assistance).

  In 2004 the Board considered two rulemakings in this area. The first would raise the cold weather protection temperature trigger from 20 degrees to 32 degrees. As proposed the rule would apply to all residential customers including those who are able to pay for utility service but could use this as an excuse not to. This would increase the costs to all customers. In addition, customers who participate in LIHEAP and weatherization programs, already receive disconnection protection during the winter months. The larger utilities already observe a voluntary cold weather disconnection policy at 32 degrees. Taking all factors into consideration, the Board decided not to approve the rulemaking.

  The second rulemaking related to mandatory second bill payment agreements. This rule was approved and required utilities to offer second bill payment agreements of similar terms to those customers who have at

least demonstrated some effort at keeping the original bill payment agreement.

- **Expand and enhance the statewide customer contribution fund that collects voluntary donations to assist those in need.**
  2003 Status: There is not a "statewide customer contribution fund" currently in existence. Each investor-owned utility has its own fund.
  2004 Update: No action taken on the state level. However, ICAA has been collaborating with the investor-owned utilities to enhance their marketing efforts. ICAA is also currently developing a proposal for the municipals and rural electric cooperatives to increase their existing customer contribution funds by merging with the ICAA's statewide fund: *Power-Up Iowa*.

This summary has been prepared with the help of:

Department of Administrative Services
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